

# California Supreme Court Rules on Wage Claims

In-House News:

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## California Supreme Court Rules on Wage Claims

By Anique Gonzalez

On April 16, the California Supreme Court ruled on a hotly contested issue among employers and employees regarding the time frame in which an employee can recoup his or her "additional hour of pay" for missed meal and rest breaks.

Previously, employers claimed that there was a one-year statute of limitations on such claims; however, the California Supreme Court ruled that the statute of limitations is three years. The decision has the potential to cost California employers millions of dollars in monetary damages, as the number of wage-and-hour class-action suits has steadily increased.

The case upon which the high court ruled, *Murphy v. Kenneth Cole Productions, Inc.*, involved a Kenneth Cole shoe store manager in San Francisco who was classified by the company as an exempt employee. The plaintiff, John Murphy, claimed he was misclassified and consequently should have received the meal/rest breaks allowed for non-exempt employees.

Initially, Murphy filed a grievance with California's labor commissioner and was awarded overtime pay. However, when Kenneth Cole requested a review from the San Francisco Superior Court, Murphy added the meal/rest-break claims.

While Murphy was awarded \$64,000 by the San Francisco Superior Court for meal/rest breaks, the verdict was later dismissed in San Francisco's first District Court of Appeal, which stated that the statute of limitations had expired. The court determined that the payments were penalties and not wages; penalties are subject to a one-year statute of limitations.

When the California Supreme Court agreed to hear the case, it did so not in order to review the ruling of the lower court but in order to define something that lower courts were unable to: the manner in which an employer can classify an "additional hour of pay."

The crux of the argument had to do with whether or not a payment of wages could be classified as a penalty. If it could be classified as a penalty, the action would be subject to a one-year statute of limitations. Otherwise, if the payment of wages was simultaneously considered "premium pay" (a form of "wages") and a non-penalty, the statute of limitations would be extended to three years.

In its ruling, the high court interpreted the current employment statutes "broadly in favor of protecting employees." Consequently, all legislative history was closely scrutinized, and Justice Carlos Moreno determined that the original objective of the additional-hour-of-pay provision was to produce a premium-pay remedy. (The law, passed in 2000, requires employers to provide employees with an extra hour of pay if they are unable to take meal or rest breaks.)

Essentially, the California Supreme Court determined that the legislators' goal was to compensate employees instead of penalizing them. Justice Moreno wrote, "This conclusion is consistent with our prior holdings that statutes regulating conditions of employment are to be liberally construed with an eye to

protecting employees.

Moreno elaborated, "The statute's plain language, the administrative and legislative history, and the compensatory purpose of the remedy compel the conclusion that the 'additional hour of pay' is a premium wage intended to compensate employees, not a penalty." In fact, the law should function as a form of "incentive for employers to comply with labor standards," he added.

Donna Ryu, Murphy's lawyer and a professor for the Hastings Civil Justice Clinic, said the decision "makes clear that employees are entitled to full compensation when employers don't provide meal and rest breaks."

Ryu further added, "Employers should just follow the law."

## On the Net

California Supreme Court

[www.courtinfo.ca.gov/courts/supreme](http://www.courtinfo.ca.gov/courts/supreme)

Kenneth Cole Productions, Inc.

[www.kennethcole.com](http://www.kennethcole.com)

University of California-Hastings College of the Law

[www.uchastings.edu](http://www.uchastings.edu)